

January 4, 2002

Mary Cottrell
Department Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

In Re: Comments Concerning D.T.E. 01-54-A Competitive Market Initiatives

Dear Ms. Cottrell:

PowerOptions, Inc. is pleased to provide these comments regarding the Department's Phase II portion of the Competitive Market Initiatives. PowerOptions, Inc. is a non-profit subsidiary of the Massachusetts Health and Education Facilities Authority and its energy group purchasing programs have provided considerable benefit to the state's non-profit and public entity members from the inception of deregulation in Massachusetts. About 6,000 accounts of members totaling over 400MW of electrical load are under contract with suppliers.

A. Default brokerage

Our experience in facilitating a number of competitive supply arrangements for our 700 members leads us to advocate for considerable caution in selecting suppliers. There are a number of very significant issues that must be considered in evaluating supply offers and customizing "deals" to reflect the risk appetite of customers is a principal task of negotiating a supply arrangement that is beneficial to both customers and suppliers. Risks vary considerably by customer and by offering. We believe that having electric distribution companies arrange supply for default customers, particularly if pooled without regard to customer specific circumstances, will tend to homogenize supply terms leading to reduced benefits to many customers and likely greater risks for most customers.

In the event distribution companies are permitted to directly facilitate supply for customers (rather than indirectly through Default Service), customers must have special protections against being swept into contracts that they are not satisfied with and may not have time to evaluate. If automatically enrolled in utility or other third party facilitated deals (which we do not support), customers must have the choice within a reasonable period, such as one billing cycle after their first billing, to affirmatively confirm their participation.

While direct authorizations appear to add complexity to the supply process, we believe problems with customer accounting systems and existing low consumer confidence dictate participation by customers in affirming supply choices. At some future point, it may be possible to relax this involvement.

B. Enrollment

The customer continues to need protection against the prospect of unauthorized enrollment. We believe the account number is the principal "key" to competitive supply and must not be distributed without customer authorization. Despite the difficulty of obtaining accounts for legitimate purposes (it is often

difficult for multiple account customers even to compile their own account lists) consumer confidence is maintained through control of the account number. The four-digit security "code" as now implemented is not workable. This is information that is not tracked by customers and changes too easily to be a meaningful key. It is an administrative barrier to customer endorsement of customer choice. An alternative could be the last four digits of the meter number, a service reference that often is maintained by customers, although it too can change without customer knowledge.

C. Lists

We assume the Department is supporting the issuing of lists by the LDCs to increase participation in the retail market. If carefully done, with protections for privacy, we believe that is a suitable goal and releasing lists of customers who have not chosen to participate in the retail market may be justified to expose them to the market. To release information on customers already competitively supplied does not serve such a purpose and we strongly oppose the inclusion of competitively supplied customers on any list.

We believe the Customer Information Lists, if needed, should only provide sufficient information to enable suppliers to identify potential target customers. It has been our experience that the best information to enable suppliers to determine target loads is consumption (kwh and KW), tariff class and delivery voltage (e.g., primary). Service delivery point information appears to us to be data that is needed only later in the supplier/customer relationship and should not be provided until the customer has formalized that release.

D. Internet

The determination of routes of communications between suppliers and distribution companies should hinge on providing as many efficient pathways as possible while maintaining the maximum security of data and processes. Communications capabilities continue to develop and the costs of communications can be a significant factor in the cost of supply. This should be a continuing evaluation.

I have attached 8 copies of these comments as requested and e-mailed an electronic file to Jeanne.voveris@state.ma.us.

Thank you for your consideration.

Sincerely,

S. Russell Sylva
General Manager
PowerOptions, Inc.

Attachments